

## Dangerous Grounds: Territorial Disputes in the Asia Pacific

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Submitted to the graduate degree program in Global and International Studies and the Graduate Faculty of the University of Kansas in partial fulfillment of the requirements for the degree of Master of Arts.

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Date Defended: 04-30-2015

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Chairperson Dr. John Kennedy

Date approved: 04-30-2015

### **Abstract**

This study examines five countries with overlapping claims to territories in the Asia Pacific. Domestic, Regional, and National Security are based in a country's ability to effectively occupy these territories. The occupation extends a country's Exclusive Economic Zone and provides the country with territorial ownership, access to maritime resources, and fishing rights. Neoliberal trade theory suggests that as these countries become more interdependent the number of conflicts over disputed territory will decrease. The high level of economic interdependence will influence political and foreign policy decisions such as territorial disputes. Neorealist theory suggests that economic interdependence will not impact the number of conflicts over disputed territory. Using the Diaoyu/Senkaku, Paracel, and Spratly Island disputes as case studies, the data suggest that territorial disputes within the East and South China Sea do not impact trade/economic interdependence and that the two phenomena operate independently of one another. Thus, the data confirms the neorealist hypothesis.

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## **Chapter I: Introduction**

### **Territorial Disputes in the East and South China Sea**

Five countries in the Asia-Pacific lay overlapping claims to territories in the East and South China Seas. From China and Japan's dispute over the Diaoyu/Senkaku Islands, to China and Vietnam's dispute over the Paracel Island, to China, Vietnam, Malaysia, and the Philippines disputes over the Spratly Islands, these countries face increasingly frequent standoffs. Regional claimants, including China, Japan, Vietnam, Malaysia, and the Philippines, have become increasingly assertive in these areas due to conflicting views of territorial ownership. Tension develops due to the disconnect between territorial ownership and effective occupation of a territory or the impression that when a country effectively occupies a territory it has the ability and intention to exercise continuous and uninterrupted jurisdiction over said territory (Buszynski 2012, Dutton 2011). Japan's effective occupation of the Diaoyu/Senkaku Islands, Vietnam's effective occupation of the Paracel Islands, and Vietnam, Malaysia, and the Philippines effective occupation of the Spratly Islands has become a point of tension with regional claimants who claim territorial ownership. Bilateral and multilateral concerns over territorial ownership and effective occupation instigated and escalate tensions between these five countries.

However, over the last several decades trade among these nations particularly with China has increased dramatically. For example, in 2013 China makes up 18 percent of Japan's exports and 22 percent of its imports (WTO Japan 2014). In Vietnam, China makes up 11 percent of Vietnam's exports and 25 percent of its imports (WTO Vietnam 2014). In the Philippines, China makes up 12 percent of exports and 13 percent of its imports (WTO Philippines 2014). Among some scholars there is an expectation that greater trade reduces conflict (reference), while other scholars suggest that the trade and economic are separate from political and especially territorial

claims. This presents a puzzle in the South China Sea region: Neoliberal theory suggests that as economic interdependence goes up the number of interstate conflicts should go down;

Contrariwise, despite the increase in bilateral and multilateral economic interdependence in the Asia-Pacific, reports of conflicts over disputes territories have increase. This leads to the research question: Does economic interdependence between China, Japan, Vietnam, Malaysia, and the Philippines reduce conflicts over disputes territories?

**Map 1: Diaoyu/Senkaku Island Dispute**



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Issues over territorial ownership remain a prominent theme among these five countries. Most of these issues stem from China's self-proclaimed nine-dash-line. The nine-dash-line was commissioned by the Chinese government in 1935 (Gao 2013). The Diaoyu/Senkaku, Parcel, and Spratly Island chains all fall within the Chinese nine-dash-line. Accordingly, Chinese government officials maintain that the nine-dash-line has a foundation in international law. More specifically, it claims territorial ownership of all three island chains under the customary law of discovery, occupation, and historic title (Gao 2013). Japanese government officials dispute China's claim to territorial ownership of the Diaoyu/Senkaku/Spratly Island chain. The Diaoyu/Senkaku Islands historically belonged to the Republic of China (Taiwan) but were administrated by the United States from 1945 to 1972 as a result of World War II. In 1972, the United States repatriated the island chain to Japan as part of the Treaty of Mutual Cooperation

and Security between the United States and Japan. Figure 1: Diaoyu/Senkaku Island Dispute shows the Diaoyu/Senkaku Island chain, along with the overlapping territorial claims by China and Japan. China's nine-dash-line overlaps with Japan's territorial waters and the Diaoyu/Senkaku Islands fall in both territories.

**Map 2: Parcel Island Dispute**



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the Paracel Islands fall within both territories.

Predictably, the Spratly Islands fall within China's self-proclaimed nine-dash-line. Littoral countries, including Vietnam, Malaysia, and the Philippines, effectively occupy the Spratly Island Chain. Vietnam's discussion of the Ming Dynasty extends to the Spratly Island chain. The Ming Dynasty failed to occupy the Spratly Islands in the 15<sup>th</sup> Century. Historically, the territories of Vietnam, Malaysia, and the Philippines have occupied the Spratly Island chain

The Paracel Islands also fall within China's self-proclaimed nine-dash-line. Vietnam disputes these claims, arguing that while the Ming Dynasty occupied the Diaoyu/Senkaku Islands in the 15<sup>th</sup> Century it failed to secure the Paracel Islands (Kaplan 2014). Figure 2: Parcel Island Dispute shows the Paracel Island chain, along with overlapping territorial claims by China and Vietnam. China's nine-dash-line overlaps with Vietnam's territorial waters and



since the 15<sup>th</sup> century. Therefore, the countries claim both territorial ownership and effective occupation. Figure 3: Spratly Island Dispute shows the Spratly Island dispute, along with overlapping territorial claims by China, Vietnam, Malaysia, and the Philippines. The Spratly Islands are right in the center of these overlapping claims.

**Map 3: Spratly Island Dispute**



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Apart from territorial ownership these five countries have become increasingly competitive over energy claims in the region. The East and South China Sea alone have been estimated to contain oil reserves of seven billion barrels and natural gas reserves of nine-hundred trillion cubic feet (Kaplan 2014). China's interest in the region is strong: 90% of China's imported oil is estimated to come through the region. China's need for access to the region is expected to increase: China's oil imports are estimated to increase from 6.2 million barrels per day in 2004 to 12.7 million barrels per day in 2020 (Vaughn 2006). Japan takes a stance on oil and natural gas claims in the East China Sea: It states that the reserves near the Diaoyu/Senkaku Island chain could be beneficial to Japan's growth and development in coming years.

Neither China nor Vietnam has had a record of sustained, exclusive use of or reliance upon the resources surrounding the Paracel Island chain (Dutton 2011). These two countries have a history of joint-exploration agreements in the region. While the oil and natural gas reserves surrounding the Paracel Island Chain are important, they are not crucial to either country's growth and development. Likewise, there is no evidence of unique economic interests in oil or natural

gas reserves around the Spratly Island chain. The region has been deemed too dangerous to be navigated and too large to be successfully supervised from China or any other single country's zone of sovereignty (Dutton 2011). All countries involved in the dispute agree that it is common usage which allows them to pursue their interests without fear of molestation by other littoral states.

Each country has an Exclusive Economic Zone (EEZ): Two hundred nautical miles extending from its coastline where it has exclusive rights to the exploration and use of maritime resources. Countries in the Asia Pacific are adjacent to one another. Their EEZ's often overlap and are the cause of many points of tension. The EEZ's of China and Vietnam overlap and so do the EEZ's of Vietnam, Malaysia, and the Philippines. Countries that have territorial ownership and effective occupation of the Diaoyu/Senkaku, Paracel, and Spratly Island chains have an extended EEZ, potentially offering them additional maritime resources. Thus, the Diaoyu/Senkaku, Paracel, and Spratly Islands are important economic assets.

The fishing and ocean resources in the East and South China Sea are another point of conflict between China, Japan, Vietnam, Malaysia, and the Philippines. Relations between China, Vietnam, Malaysia, and the Philippines are most tense due to China's fishing ban in the South China Sea which it regards as a preserve for its own fishing rights (Dutton 2011). Deliberately vague, Chinese government officials interpret the ban as covering the area around the Paracel Island chain and extending as far south as the Spratly Island chain. Chinese government officials have accused both Vietnam and Malaysia of breaching the ban, although the two countries claim the ban affects the livelihood of its fisherman (Dutton 2011). Issues over territorial ownership, competing energy claims, and fishing rights instigate and escalate tensions between these five countries.

In examining territorial ownership, competing energy claims, and fishing rights in the Asia Pacific specialists seek to determine how territorial conflicts impact bilateral and multilateral relationships at a regional level. East Asian specialists often focus on China's nine-dash-line and its impact on Chinese bilateral relationships with other countries in the Asia Pacific. Often, they ask what the nine-dash-line means: Ownership, a sphere of influence, a claim to maritime resources, or something else (Gao 2013). Consequently, the research done by these specialists focuses too closely on bilateral relationships from China's perspective. Additionally, the focus on the nine-dash-line as a core focus negates from territorial boundaries assigned and accepted by the international community.

A sub-group of specialists focus on China's naval expansion and zonal defense as justifications for the nine-dash-line. In 2014, the US Naval Institute reported that China had begun construction on several landing strips strategically located less than 200 nautical miles from the Diaoyu/Senkaku Island chain. Specialists cite the Paracel Island chain as an import asset to the People's Liberation Army Navy (PLAN) as it provides air cover and sea protection for China's underground base in Sanya on Hainan Island (Dutton 2011). In 2014, the Deputy Chief of the PLAN, General Zhang Li, proposed an airport and seaport be installed in the Spratly Island chain. Specialists suggest that an airport and seaport in the region would allow China to conduct air patrols and serve as a demonstration of China's sovereignty over the region. These specialists often fail to examine the bilateral and multilateral claims between China, Japan, Vietnam, Malaysia, and the Philippines from all perspectives.

Territorial ownership, competing energy claims, and fishing rights are all impediments to a stable Asia Pacific. However, Neoliberal scholars suggest that international institutions, including the United Nations and the World Trade Organization, allow countries in the Asia

Pacific a channel for international cooperation regarding the disputes: A way to overcome variety of impediments (Dunne 2010). These international institutions attempt to regulate and resolve international competition (Heywood 2012). Scholars who research the creation and maintenance of international institutions maintain that interdependence between countries heighten the material cost of international conflicts: Bilateral and multilateral relationships where warfare between states becomes virtually unthinkable (Heywood 2012). Indeed, according to the World Trade Organization statistics, there is a high level of trade and economic interdependence among China, Japan, Vietnam, Malaysia, and the Philippines.

Neoliberal approach maintains that increased interdependence between China, Japan, Vietnam, Malaysia, and the Philippines should lead to decreased regional conflict. More specifically, as economic interdependence between these five countries increases conflicts over the Diaoyu/Senkaku, Paracel, and Spratly Island chains should decrease. Economic interdependence will be measured using both the Statistics Database from the World Trade Organization and the Economic Atlas from Harvard University. The number of disputes over the various Island chains will be gathered from the CNA Maritime Asia Project, the Paracel Sovereignty (Viet Nam) Project, and the CNAS Timeline Project. The data will be broken down by case study, with the cases being the three Island chains: Diaoyu/Senkaku, Paracel, and Spratly.

Chapter I: Territorial Disputes in the East and South China Sea outlined China, Japan, Vietnam, Malaysia, and the Philippines disputes over the Diaoyu/Senkaku, Paracel, and Spratly Island chains. Chapter II: Neoliberal and Neorealist Arguments for Interstate Conflict provides an ephemeral examination of recent literature on the topic. In particular, it will focus on key debates between neoliberal and neorealist scholars and their applications to the conflicts in the

East and South China Seas. Chapter III: Calculation of Independent and Dependent Variables conceptual and operational definitions for each variable will be determine. This will include an explanation of the research methods. Chapter IV: The Relationship between Economic Interdependence and Territorial Conflict will provide an explanation of the data. Chapter V: Support for Neorealist Theory will report preliminary findings and a discussion of their implications.

## Chapter II: Literature Review

### Neoliberal and Neorealist Arguments for Interstate Conflict

Security is vital to stability in the Asia Pacific. It is defined as a country's ability to manage its domestic, regional, and national issues: Including its management and effective occupation of its disputed territories in the East and South China Sea. Therefore, a country cannot falter in its management and effective occupation of its disputed territories without risking a security breach. It is for this reason that China, Japan, Vietnam, Malaysia, and the Philippines are so steadfastly approaching the resolution of territorial disputes.

China's unwillingness to compromise over its territorial disputes in the East and South China Seas is related to its sense of domestic, regional, and national security. The Declaration on the Territorial Sea (1958) triggered the impression that territorial integrity goes hand in hand with good governance: The nine-dash-line would deter other countries from the East and South China Seas while strengthening Chinese claims to the Diaoyu/Senkaku, Paracel, and Spratly Island chains (Fravel 2011). Only in maintaining the nine-dash-line can government officials protect Chinese historical rights to territory, maritime resources, and fishing rights. Thus, China delays the resolution of its East and South China Sea disputes.

Japan's unwillingness to compromise over its territorial dispute in the East China Sea is related to its fear of losing its status as a regional power (Arai 2012). Japanese claims to the Diaoyu/Senkaku Island chain in the East China Sea are a part of Japan's national identity and patriotism. Japan's association with the Diaoyu/Senkaku Island chain is rooted in its role in World War II, its reconstruction following World War II, and its status in the region today. The loss of the Diaoyu/Senkaku Island chain would cause a power shift in the region. The power shift

is considered zero-sum, as a loss for Japan would be a gain for China. For these reasons, Japan is unwilling to compromise with China over the Diaoyu/Senkaku Island chain.

Vietnam's unwillingness to compromise over the Paracel and Spratly Island chains stems from their disagreement with China's nine-dash-line: The Vietnamese government maintains that China's nine-dash-line impedes Vietnam's right to exercise authority in the region (Dutton 2011). While the Vietnamese do not have a record of sustained, exclusive use of or reliance upon the resources provided by the Paracel and Spratly Island chains, the territories are a point of national identity. A loss of territory to China would be considered a failure of the Vietnamese government and become a fissure of domestic, regional, and national security. Vietnam has even gone so far as to occupy additional territories in the South China Sea in hopes of increasing its political legitimacy (Yee 2011). The country has implemented multiple strategies to maintain its power in the South China Sea in an attempt to secure its domestic, regional, and national security.

Malaysia's unwillingness to compromise over the Spratly Island chain lies in its inherent ability to exercise continuous and uninterrupted jurisdiction over its territories in the area. Despite the overlap in China and Malaysia's EEZ's, the Malaysia government does not even consider the Spratly Island chain to be "disputed" territory. The Malaysian government partners with the Institute of Ocean and Earth Sciences to host workshops: "The South China Sea: sustaining Ocean Productivities, Maritime Communities, and the Climate" was hosted in Malaysia in 2012. The goal of these workshops is to show the regional community Malaysia's claims to the Spratly Island chain, and to support those claims via official channels including: Treaty law, effective control and history, the right to title, geography, and cultural homogeneity (Sumner 2004).

The Philippines unwillingness to compromise over the Spratly Islands lies in its country's increasing demands for maritime resources. This has led to the citizens placing pressure on the Philippine government to develop plans to exploit the oil and natural gas reserves in the South China Sea (Vaughn 2006). Despite its inherent necessity for sovereignty over the Spratly Island chain, the Philippines has made territorial concessions to China in recent years. The concessions have led to joint exploration agreements in areas within China's nine-dash-line. The situation in the Philippines is unique in so far as its willingness to exchange territorial sovereignty for economic stability and increase oil and natural gas reserves. In this way, the Philippines is able to maintain a certain level of domestic, regional, and national security.

### **Theoretical Assumptions**

Neoliberal theory assumes that agenda framing, persuasion, and positive attraction allows one to control another's actions: Implying causation between two items in a long and complex chain of events (Joseph S. Nye 2011). Thus, the relationship is between economic interdependence and political value of maritime territories. Neoliberal theorists assume that a country's power lies in its national power, a combination of its economy, technology, and ideology. A country's institutions, ideas, values, culture, and perceived legitimacy of policies directly strengthens the cohesion and willpower of its citizens, and the country's ability to deal with its domestic, regional, and national security (Lin 2012).

Neoliberal theory generally supports liberal trade theory. Liberal trade theory argues that economic interdependence has substantially reduced interstate disputes (Russett 2003). Thus, with increased economic interdependence between China, Japan, Vietnam, Malaysia, and the Philippines will come decreased conflicts over disputed regions. Vice versa, the theory suggests that a decrease in the number of conflicts over disputed regions will lead to an increase in



economic interdependence. Countries with a high level of economic interdependence should not see territorial disputes as often and nor should they impact the level of trade. Thus the Neoliberal hypothesis is that trade and territorial disputes are correlated. We should observe a change in trade relations when there are major territorial disputes.

Neorealism assumes that interstate relations are inherently intense and that no amount of goodwill between countries can lessen the concentrated security competition that exists among them (Mearsheimer 2006). As China aspires to be a regional and global hegemon, Japan, Vietnam, Malaysia, and the Philippines will have to fight for their share of regional power. The more power a country has, the easier it is for that power to project and sustain its presence throughout the region and around the globe. Territory offers a country a means to project and sustain hard power: China's security lies in its ability to effectively occupy the Diaoyu/Senkaku, Paracel, and Spratly Island chains.

Neorealism goes as far as to analytically separate domestic and international politics into unit-level and system-level phenomena (Waltz 2012). According to neorealist theory, economic interdependence between two countries may increase. However, domestic and international forces only interact to produce a certain outcome and remain analytically distinct: A change in the level of economic interdependence does not necessarily mean a change in the number of conflicts over disputed territories. The dichotomization of unit-level and system-level phenomena is strengthened (Rosenberg 2013). Thus, the Neorealist hypothesis is a country's territorial actions/claims are independent of their economic relations. There is no correlation between territorial disputes and trade.

## State Relations

Present day state relations between China and Japan offer some support for the liberal theory. In evaluating these states bilateral relations, the role of geographical distance, common colonial past, common language, bilateral trade flows, and similar voting patterns in the United Nations allows for the prediction of trade flows between two countries (Stromberg 2007). When some, most, or all of these bilateral relations exist, it is common for the number of territorial disputes between countries to decrease from numerous to few; thus, implying causation between interdependence and conflict, Nye's "two items in a long and complex chain of events" (Joseph S. Nye 2011).

Further, the relations argue that economic interest motives drive trade values and vice versa, increasing bilateral trade flow between the two states. For example, one liberal scholar, Jian Yang, cites exchanges between the Chinese and Japanese governments. He says these exchanges have been made to "patch up ancient differences and sign substantive agreements on everything from border demarcations to trade and even military co-operation" (Yang 2003). Despite occasional territorial disputes, these relations have been a stabilizing factor for both China and Japan. In many ways, Chinese-Japanese relations have helped "to establish free trade areas with ASEAN" and "strategic competition with Japan might also have played a role in China's decision to make financial contributions to the recovery of Southeast Asia ... from 1977-98 financial crisis" making China a more responsible actor (Yang 2003).

China's growing use of soft power in Southeast Asia has also affected its relationship with its neighbor, Vietnam. Non-military inducements including culture, diplomacy, foreign aid, trade, and investment, have downplayed bilateral conflicting interests and reinforced the idea that states should work together on issues such as territorial disputes and trade (Lum 2008). China

has increasingly emphasized mutual benefits in its relations with Southeast Asia. Despite Vietnam's unique history with China, including its past domination by China and a more recent border war, the two nations have come together to promote a balanced approach to the Asia Pacific.

Further, China is considered to be the primary economic partner to Vietnam. It is Vietnam's second largest source of foreign aid which abets Vietnamese officials in constructing railways, hydro-power development, and shop building factories (Lum 2008). Economic integration, including the Vietnamese government's state-owned Petro Vietnam to begin joint oil and gas operations with China National Offshore oil Corporation in the Gulf of Tonkin" show the extent to which bilateral interdependence can impact state disputes.

The same type of multilateral interdependence seen between China and Japan and China and Vietnam also exists between China, Vietnam, Malaysia, and the Philippines. East Asian actors played major roles in the 2005 East Asia Summit, due to their geographical distance from one another, common colonial past, common language, bilateral trade flows, and similar voting patterns in the United Nations (Stromberg 2007).

The Summit, held in Kuala Lumpur, is one example of how multilateral interdependence in the Asia Pacific has drastically increased. The Summit led to the gradual removal of tariffs, a free trade area in 2010, and the beginning of the development of bilateral and multilateral security relationships between China, Malaysia, and the Philippines (Bhattacharya 2007). Anti-Chinese sentiment in Malaysia has recently subsided. Further, Chinese-Malaysian bilateral trade has increased by 314.0% from 2000 to 2005. The China-Malaysia relationship is a perfect example of increased economic interdependence directly impacting the approach to and outcome of disputes between the two countries.

Economic interdependence between China and the Philippines has revealed possible casual linkages between in business cycles. These linkages indicate that China and the Philippines share similar business styles and could potentially complement each other in a way that increases economic interdependence and decreases interstate conflict (Balasubramaniam 2011). Thus, China and the Philippines share a platform for common regional trade congruent with recent regional economic policy coordination between the two countries.

The impact of economic fluctuations of China on the Philippines and vice versa, whether premeditated or unintentional, are transmitted to the other's economy. The presence of a positive relationship between Chinese and Philippine bidirectional and unidirectional business cycles has been identified, meaning, economic interdependence between China and the Philippines has reached a level in which a fluctuation in trade for one state means a certain level of fluctuation in trade for the other (Balasubramaniam 2011).

China has a high level of economic interdependence with both Japan and Vietnam. This mutual investment has allowed the countries in the Asia Pacific to employ peaceful strategies to resolve territorial disputes. Vietnamese government officials signed an agreement with a Chinese multinational corporation to lure capital investment for the mining of certain minerals in disputes areas, likely due to the demarcation of their 840 mile land border in 2009 (Mitchell 2012). The same level of mutual investment seen between China and Vietnam is seen between Vietnam, Malaysia, and the Philippines.

As case studies, the multilateral relationships between these countries show that governments who depend on outside financing for economic growth and development are more restricted in coercive foreign policy strategies (Mitchell 2012). Thus, countries like Malaysia and

the Philippines remain in the peripheral, bound to great powers such as China, Japan, and Vietnam by their necessity of trade and investment.

### **State Relations**

The Asia Pacific had 46 conflicts over disputed territory from 1945 to 2000, more than any other region including Africa, the America's, Europe, and the Middle East and North Africa countries (Fravel 2015). Of the total 164 conflicts over the disputed territory, more than 28% belong to the Asia Pacific (Fravel 2015). M. T. Fravel's recent research, published in January 2015, notes that of the 46 disputes in Asia, 24 were militarized disputes (Fravel 2015). There were 71 total militarized disputes across the world, with 34% of militarized disputes occurring in Asia (Fravel 2015). Additionally, 7 of the 21 wars of the post-World War II era were in Asia accounting for 33% of wars over disputed territories, with 19 settlements, only 20% of the total 93 settlements (Fravel 2005).

Four of the 17 settlements were settled through arbitration, which is equivalent to 24% (Fravel 2005). Twenty-six of the initial 46 conflicts remained active into the year 2000, with 38% of the 71 conflicts of territorial disputes occurring in Asia (Fravel 2005). Thus, the majority of conflicts over disputed territories occurred in Asia, with the majority of those escalating to militarized disputes, and later wars. He finds that the only region where more militarized disputes led to war were the Middle East and North African countries, and only by 5%. Reviewing settlements through arbitration and conflicts over disputes territories still active as of 2000, Asia has the most conflicts over disputes territories, 26 of the 71, or 38% of the total (Fravel 2005).

As the aforementioned data allows one to incur, some conflicts over disputed territories have been resolved, whether through arbitration or militarized conflict. For example, China and

Vietnam settled the ownership and occupation of the White Dragon Tail Island in the Gulf of Tonkin in 1957 (Fravel 2015). However, many conflicts over disputed territories remain today, including China, Vietnam, Malaysia, and the Philippines conflict over the Spratly Islands in the South China Sea, China and Vietnam's conflict over the Paracel Islands in the South China Sea, China and Japan's conflict over the Diaoyu/Senkaku Islands in the East China Sea, and China and the Philippines conflict over the Scarborough Shoal in the South China Sea (Fravel 2005). These conflicts over territorial disputes have yet to be resolved. In addition to territorial disputes, states run into issues with their maritime boundaries, which often overlap in the East and South China Seas, causing problems among states in the Asia Pacific.

Some maritime boundary disputes have been resolved, including a dispute between China and Vietnam in 2000, which verified the EEZ delimitation of the Gulf of Tonkin, although a dispute remains over the southern part of the Gulf (Fravel 2005). Unsettled conflicts include a dispute over EEZ delimitation around the Scarborough Shoal between China and the Philippines, overlapping claims in the East China Sea between China and Japan, overlapping claims in the East Philippine Sea between Japan and the Philippines, and overlapping claims, based on competing claims to the Spratly Island Chain in the East and South China Seas between China, Vietnam, Malaysia, and the Philippines (Fravel 2015). That these conflicts over territorial disputes have not yet been resolved, despite increased economic interdependence both bilaterally and multilaterally, demonstrates the realist argument of Mearsheimer and Waltz.

### **Specific Disputes**

The Council on Foreign Relations names three island disputes, which remain more volatile than any of the others. The Diaoyu/Senkaku Island dispute, which is composed of five uninhabited islets and three rocks, are the center of an escalating territorial dispute between

China and Japan. Japan currently occupies the islands, and purchased three of the islands from a private owner in 2012. The building of a lighthouse on one of the islets caused anti-Japanese sentiment among Chinese, and nationalist activity against Japan rose drastically. The region around the Diaoyu/Senkaku Islands is known to contain rich fishing grounds, and potentially oil and gas deposits.

The Paracel Island dispute occupies roughly 7.75 kilometers (4.8 miles). Historically, French Indochina annexed the territory in 1932, but it was not until 1974 that China occupied the islands, building a military installation that included both an airfield and a harbor. Historically, the islands are known for fishing and natural resources. The Spratlys are a cluster of more than one hundred small islets and reefs. Together, they measure less than 5 kilometers (3.1 miles). Known to host rich fishing grounds and expected to host oil and gas deposits, it is claimed by China, Vietnam, Malaysia, and the Philippines. At this time, all claimants occupy a toe hold on roughly half of the islands.

### **Theoretical Disagreement**

Liberal theorists argue that increased interdependence leads to decreased conflicts over territorial disputes. Realist theorists argue that interdependence plays no role in how conflicts over territorial disputes play out, as states always have their immediate interests, specifically security, in mind. Each study approaches their research with this assumption in mind. For example, a liberal theorist looking at trade data and territorial disputes may, knowingly or unknowingly, manipulate the data to show that increased interdependence leads to decreased conflicts over territorial disputes over time. He or she may do this by redefining conceptual or operational definitions of the independent and dependent variables. This works for realist theorists as well, who may, directly or indirectly, manipulate the data to show that increased

interdependence has no impact on conflicts over territorial disputes over time. He or she may do this by redefining conceptual or operational definitions of the independent and dependent variables.

Theoretical assumptions are not the only way that data can be manipulated to show a certain result. The researcher's approach/theory, research design and analysis, and findings and results may vary depending on conceptual and operational definitions and the time period reviewed. What one scholar may consider a territorial dispute, another may not. While one scholar may think 5 years of data is sufficient for analysis, another may require more. Some researcher's prefer qualitative methodologies and methods, while others may prefer quantitative methodologies and methods. Still others may use a mixture of both qualitative and quantitative methodologies and methods, or use a historical approach. The mixture of research that is available can be confusing due to this mixture of data.

Thus, there is a variation in results. Liberal theorists' results and analysis show that there is a positive correlation between economic interdependence and conflicts over territorial disputes; that as economic interdependence increases, the number of conflicts over territorial disputes decrease. In the same way, realist theorists; results and analysis show that there is not a correlation between economic interdependence and the number of conflicts over territorial disputes. Few researchers have provided an account of economic interdependence between countries in the Asia Pacific and its impact on conflicts over territorial disputes over the last 10 years using both quantitative data and a qualitative case study.



### **Chapter III: Methods**

#### **Calculation of Independent and Dependent Variables**

Five countries are included in this study: China, Japan, Vietnam, Malaysia, and the Philippines. These countries were selected as they are particularly informative regarding the issue of economic interdependence and territorial disputes. They have a long history of territorial disputes in the East and South China Seas and their economies have become increasingly interdependent since 1995. The case studies, the Diaoyu/Senkaku Island chain, the Paracel Island chain, and the Spratly Island chain were selected due to time and source constraints. China, Japan, Vietnam, Malaysia, and the Philippines are information-rich subjects. Trade data is available for each country on domestic, interstate, regional, and national levels as far back as 1970. Territorial sovereignty and conflicts over disputed territory is well documented.

Two non-probability sampling procedures were used: Convenience sampling and purposive sampling. Convenience sampling is used as information on domestic, interstate, regional, and national trade levels is available from the World Trade Organization's Statistic's Database and Harvard University's Economic Atlas. China, Japan, Vietnam, Malaysia, and the Philippines have readily available trade data available from 1994-2012. Purposive sampling is used as China, Japan, Vietnam, Malaysia, and the Philippines are all involved in territorial disputes in the East and South China Seas. This sampling does not allow for generalization of the subject matter. Instead it allows the researcher to delve deeper into the theoretical implications of economic interdependence and conflicts over disputes territories for only the Diaoyu/Senkaku Island chain, the Paracel Island chain, and the Spratly Island chain.

## **Instrumentation/Measurement**

The independent variable is the level of economic interdependence. It will be measured using interstate, regional, and national levels of imports and exports. The dependent variable is the number of conflicts over disputed territories. It will be measured using three separate databases listing interstate conflicts. Values for the independent variable will be obtained via the Statistics Database provided by the World Trade Organization and the Economic Atlas provided by Harvard University. Values for the dependent variable come from the CNA Maritime Asia Project, the Parcel Sovereignty (Viet Nam) Project, and the CNAS Timeline Project.

## **Procedures**

Data for the independent variable will be gathered for the years 1994-2012. Data for the Diaoyu/Senkaku case study will be gathered from the Statistics Database provided by the World Trade Organization. Data for the Parcel and Spratly case studies will be gathered from the Economic Atlas provided by Harvard University. Both control and experimental data will be gathered. Control data will be represented by graphing trade values between China, Japan, Vietnam, Malaysia, and the Philippines and the global economy. Experimental data will be represented by multilateral trade values between China-Japan, China-Vietnam, China-Malaysia, China-the Philippines, Vietnam-Malaysia, Vietnam-the Philippines, and Malaysia-the Philippines.

Data for the dependent variable will be gathered for the years 1994-2012. Data for the Diaoyu/Senkaku case study will be gathered from the CNA Maritime Asia Project, data for the Parcel case study will be gathered from the Parcel Sovereignty (Viet Nam) Project, and data for the Spratly case study will be gathered from the CNAS Timeline Project.

**Data Analysis**

Data analysis will be performed on a case-by-case basis. The goal will be to determine if there is a relationship between the independent variable and the dependent variable. If a relationship is deemed to exist, the data analysis will indicate the nature of the relationship. The relationship can be classified one of four ways: Positive correlation, negative correlation, no correlation, inconclusive.

## Chapter IV: Research & Analysis

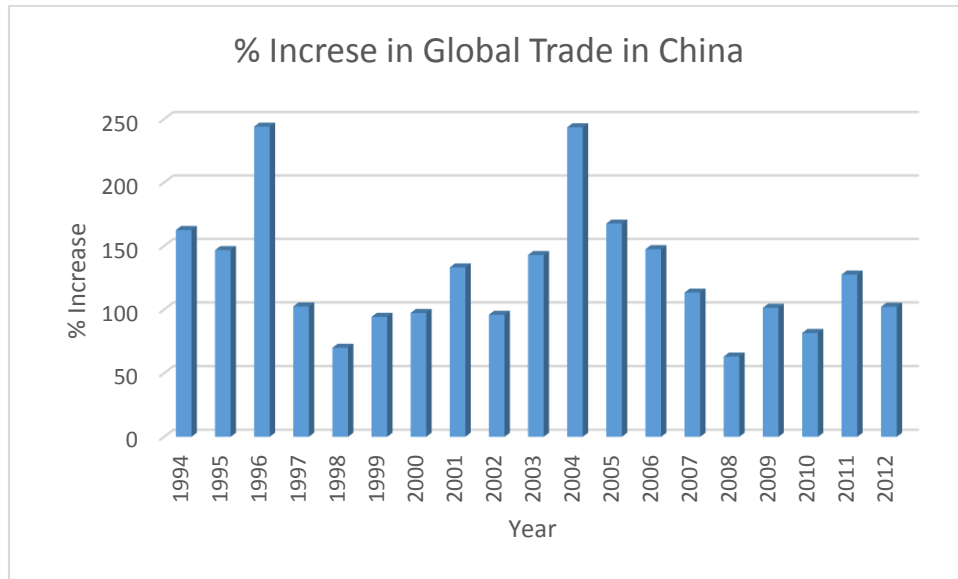
### The Relationship between Economic Interdependence and Territorial Disputes

#### Independent Variable

Figure 1: % Increase in Global Trade in China shows the independent variable for China. The global trade value was calculated by taking global exports minus global imports. The percent increase/decrease in global trade was calculated by taking year two minus year one divided by year one and multiplied by one hundred. For example, global trade for 1995 minus global trade for 1994 divided by global trade for 1994 multiplied by one hundred resulted in a 162% increase in trade from 1994-1995. That value is indicated in the bar above 1994. Figure 1 indicated that China experienced its highest global trade growth from 1994-1995, 1996-1997, 2004-2006, and 2006-2007. It experienced its lowest global trade growth from 1998-1999, 2002-2003, 2008-2009, and 2000-2011.

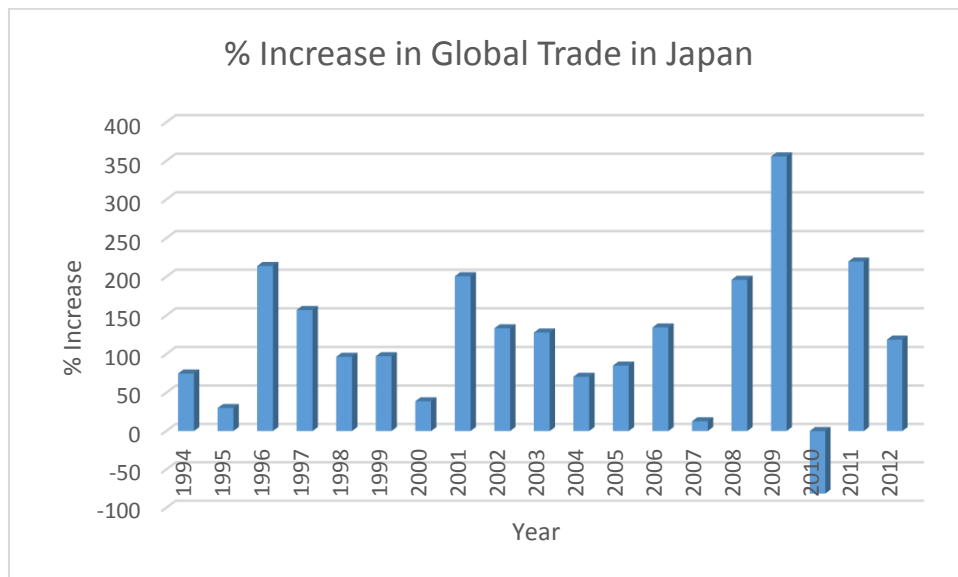
Growth in international trade leads is positively linked to growth in economic interdependence: A phenomena that occurs when a participant in an economic system is dependent on others for the products they cannot product efficiently themselves. Therefore, it is a likely correlation that in the years China experienced its highest global trade growth, it also experienced its highest levels of economic interdependence. In years when China, Japan, Vietnam, Malaysia, and the Philippines show growth in international trade one can test the relationship between growth in international trade and growth in economic interdependence. This provides the level of economic interdependence between two countries.

**Figure 1: % Increase in Global Trade in China**



Source: World Trade Organization, 2015

**Figure 2: % Increase in Global Trade in Japan**



Source: World Trade Organization, 2015

Figure 2: % Increase in Global Trade in Japan shows the independent variable for Japan. The global trade value and the percent increase/decrease in global trade was calculated in the same way that it was calculated for Figure 1. Figure 2 indicated that Japan experienced its highest global growth from 1996-1997, 2001-2002, 2009-200, and 2011-2012. It experienced its lowest global trade growth from 1995-1996, 2000-2001, and 2007-2008. Unlike China, Japan experienced negative trade growth from 2010-2011.

Figure 3: % Increase in Global Trade in Vietnam shows the independent variable for Vietnam. The global trade value and the percent increase/decrease in global trade was calculated in the same way that it was calculated for Figure 1 and Figure 2. Figure 3 indicated that Vietnam experienced its highest global trade growth from 2001-2002 and 2006-2007. It indicated that Vietnam experienced its lowest trade growth from 1998-999 and 2004-2005. It indicated that it experienced negative trade growth from 2011-2012.

Figure 4: % Increase in Global Trade in Malaysia shows the independent variable for Malaysia. The global trade value and the percent increase/decrease in global trade was calculated in the same way that it was calculated for Figure 1, Figure 2, and Figure 3. Figure 4 indicated that 1997-1998, 2004-2005, and 2007-2008 were the years that Malaysia experienced its highest global trade increases. Likewise, it indicated that Malaysia experienced its lowest trade growth from 1994-1995, 1999-2000, 2000-2001, 2008-2009, 2011-2012, and 2012-2013. In the aforementioned years, Malaysia experienced negative trade growth.

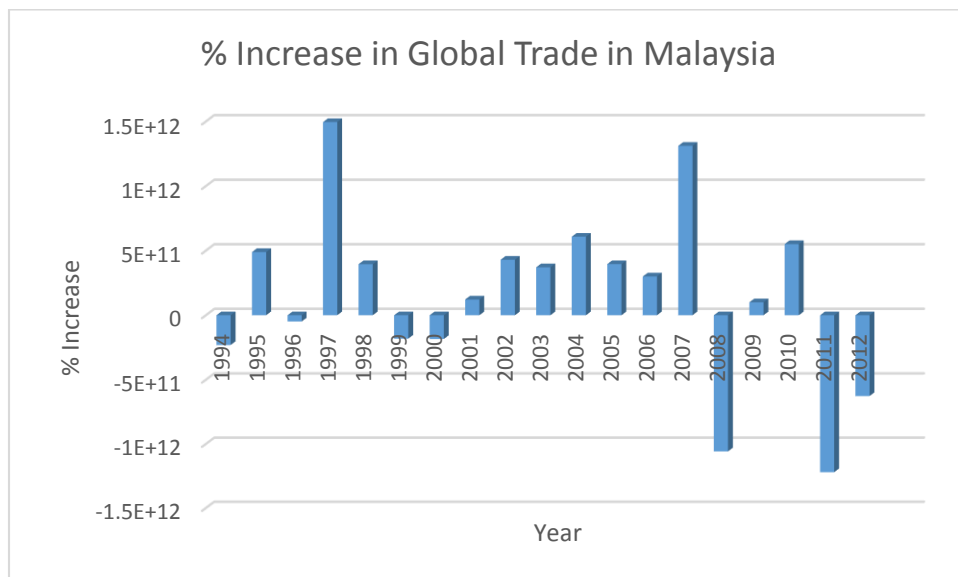
Figure 4: % Increase in Global Trade in the Philippines shows the independent variable for the Philippines. The global trade value and the percent increase/decrease in global trade was calculated in the same way that it was calculated for Figure 1, Figure 2, Figure 3, and Figure 4. It indicated that the Philippines experienced its highest global trade growth from 2000-2001 and

**Figure 3: % Increase in Global Trade in Vietnam**



Source: World Trade Organization, 2015

**Figure 4: % Increase in Global Trade in Malaysia**



Source: World Trade Organization, 2015

2010-2011. It indicated that the Philippines experienced its lowest global trade growth from 1998-1999, 1999-2000, and 2006-2007. One outlier was removed, as the data analysis proved to be incorrect. It showed the trade growth from 2007-2008 to be 2,921.07%. Despite attempts to correct the value, it was not corrected and it was removed from the data set.

The overall economic health of a country can be measured many ways. In developing countries impediments to economic growth include a lack of infrastructure, weak institutional framework, an ineffective tax structure, political instability and corruption, and an unequal distribution of income. In developing countries, a smaller percentage of the population pays income taxes. Corporate tax revenues are also low as official markets are small and tend to be dominated by foreign commercial banks. These countries rely on export, import, and excise (customers) duties to support their countries. These are the main reasons that, for most developing countries, their overall economic health is low. These reasons may account for the variation in economic growth seen in Figures 1-5.

**Figure 5: % Increase in Global Trade in the Philippines**



Source: World Trade Organization, 2015



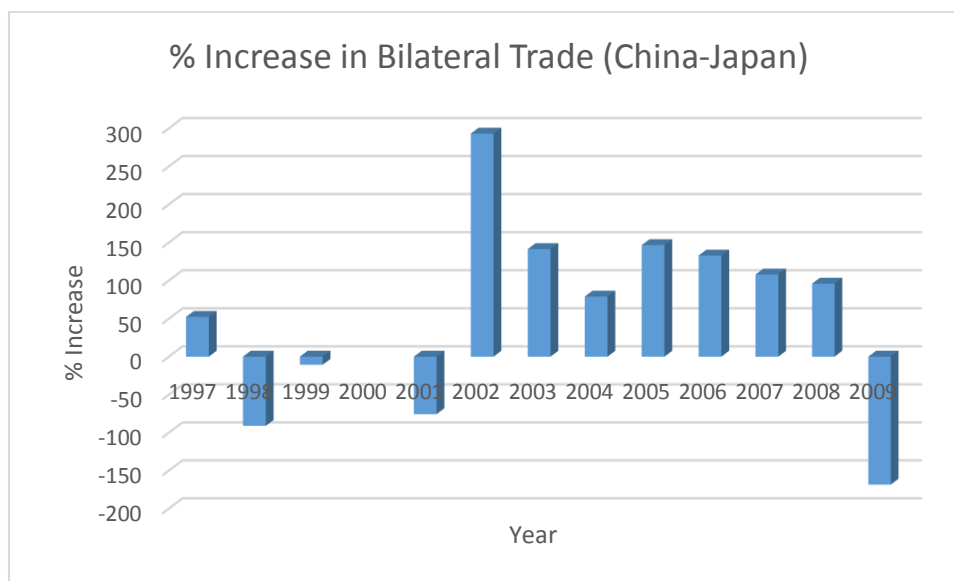
## Case Studies

Bilateral trade data for China and Japan was available from 1997-2010. Data for both imports and exports was available. The bilateral trade value was calculated by taking bilateral exports minus bilateral imports. The percent increase/decrease in bilateral trade was calculated by taking year two minus year one multiplied by one hundred. Figure 6: % Increase in Bilateral Trade indicated that China and Japan experienced their highest levels of bilateral trade growth from 2002-2003, 2003-2004, and 2005-2006. It also indicated that China and Japan experienced their lowest levels of bilateral trade growth from 1998-1999, 2001-2002, and 2009-2010. All three of the aforementioned years had negative bilateral trade growth. The value for percent increase from 2000-2001 was removed as it equated to 4,600% and is considered an outlier.

Bilateral trade data for China and Vietnam was available from 1997-2010. Data for both imports and exports was available. The bilateral trade value and the percent increase/decrease in bilateral trade was calculated in the same way that is was for Figure 6. Bilateral trade growth is fairly positive between China and Vietnam. The Figure indicated that the two countries experienced their highest bilateral trade growth from 2002-2003, 2004-2005, 2006-2007, and 2009-2010. They experienced their lowest bilateral trade growth from 1998-1999 with 62% bilateral trade growth.

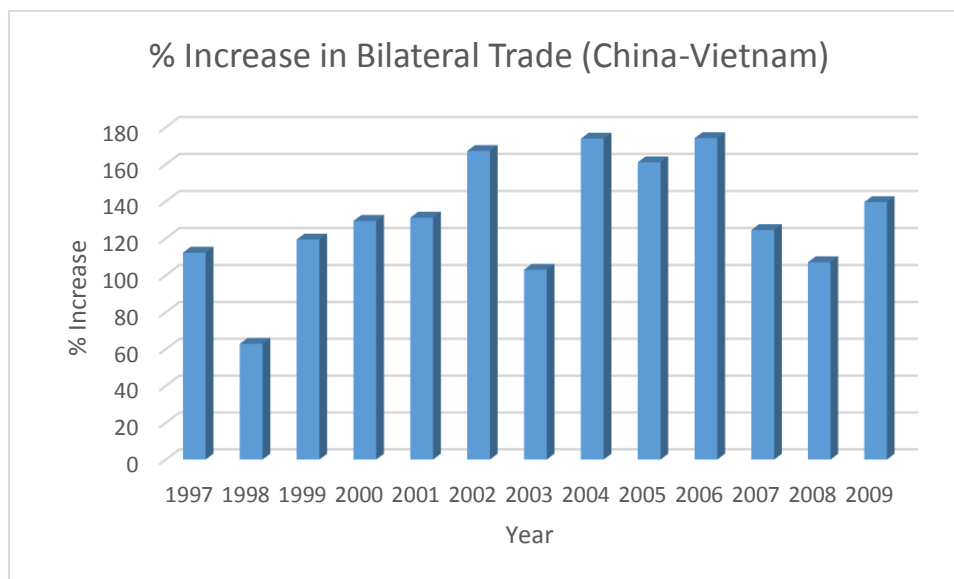
Percent increase in multilateral trade is represented in Table 1: % Change in Multilateral Trade (China-Vietnam-Malaysia-the Philippines). All four countries (China, Vietnam, Malaysia, and the Philippines) are represented in the table. The multilateral trade value and the percent increase/decrease in multilateral trade was calculated in the same way that is was for Figure 6; however, it was consolidated into a single table. Bilateral trade between China and Vietnam was available from 1997-2009. Bilateral trade growth is fairly positive between China and Vietnam.

**Figure 6: % Increase in Bilateral Trade (China-Japan)**



Source: World Trade Organization, 2015

**Figure 7: % Increase in Bilateral Trade (China-Vietnam)**



Source: World Trade Organization, 2015

The table indicated that the two countries experienced their highest bilateral trade growth from 2002-2003, 2004-2005, 2006-2007, and 2009-2010. They experienced their lowest bilateral trade growth from 1998-1999 with 62% bilateral trade growth.

Bilateral trade growth between China and Malaysia is positive. The table indicated that the two countries experienced their highest bilateral trade growth from 1997-1998, 1998-1999, 2002-2003, and 2008-2009. They experienced their lowest bilateral trade growth from 2000-2001, 2003-2004, 2004-2005, 2007-2008, and 2009-2010. They experienced their lowest bilateral trade growth from 2009-2010 with 48.78% bilateral trade growth. The two countries did not at any time experience negative bilateral trade growth. Bilateral trade growth between China and the Philippines is primarily positive. The table indicated that the two countries experienced their highest bilateral trade growth from 2000-2001, 2001-2002, 2002-2003, and 2004-2005. They experienced their lowest bilateral trade growth from 1998-1999, 1999-2000, 2007-2008, and 2008-2009. The two countries experienced negative trade growth from 1999-2000.

Bilateral trade growth between Vietnam and Malaysia varies. The table indicated that the two countries experienced their highest bilateral trade growth from 1997-1998, 2002-2003, 2005-2006, and 2008-2009. They experienced their lowest bilateral trade growth from 1999-2000, 2000-2001, and 2004-2005. The two countries experienced negative trade growth from 1998-999, 1999-2000, 2000-2001, 2004-2005, 2007-2008, and 2009-2010. Bilateral trade growth between Vietnam and the Philippines varies. The table indicated that the two countries experienced their highest bilateral trade growth from 2000-2001, 2003-2004, 2004-2005, and 2007-2008. They experienced their lowest bilateral trade growth from 1998-1999. The two countries experienced negative trade growth from 1998-1999, 2001-2002, 2002-2003, 2005-2006, 2006-2007, and 2008-2009.

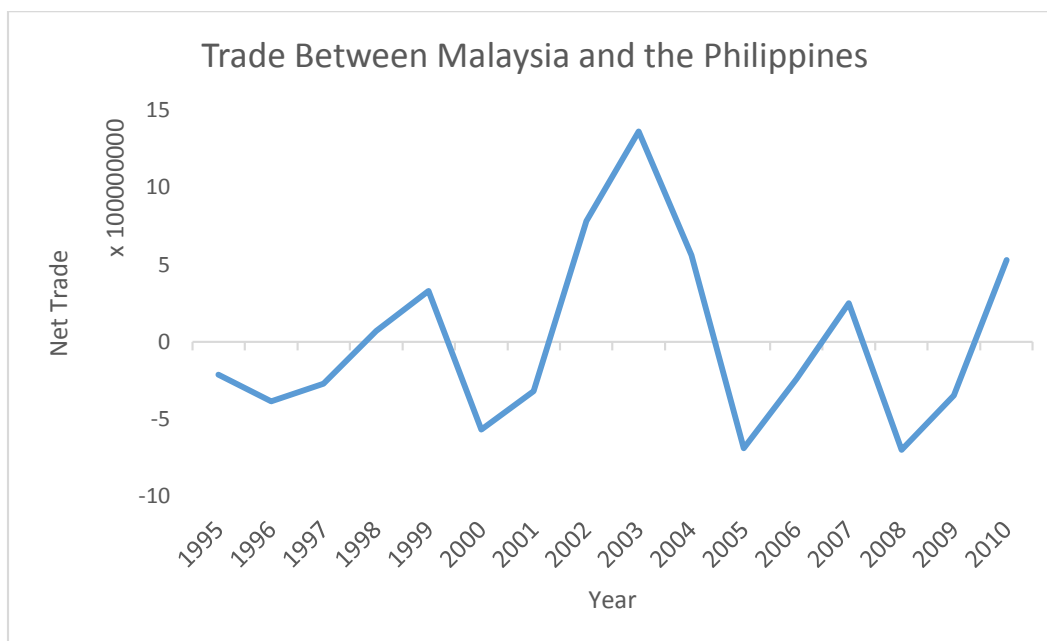
Bilateral trade growth between Malaysia and the Philippines tends to be negative. The two countries experienced their highest bilateral trade growth from 1998-1999 and 2002-2003. Every other year, their bilateral trade growth is negative. Therefore, bilateral trade growth between China and Malaysia is primarily positive, bilateral trade growth between China and the Philippines is primarily positive, bilateral trade growth between Vietnam and Malaysia varies and is therefore inconclusive, bilateral trade growth between Vietnam and the Philippines varies, and is therefore inconclusive, and bilateral trade growth between Malaysia and the Philippines is primarily negative.

**Table 1: % Change in Multilateral Trade (China-Vietnam-Malaysia-the Philippines)**

|      | China-<br>Vietnam | China-<br>Malaysia | China-The<br>Philippines | Vietnam-<br>Malaysia | Vietnam-The<br>Philippines | Malaysia-The<br>Philippines |
|------|-------------------|--------------------|--------------------------|----------------------|----------------------------|-----------------------------|
| 1997 | 112.2             | 186.9              | 97.6                     | 47.5                 | 6.4                        | -125.5                      |
| 1998 | 62.8              | 180.2              | 47.6                     | -39.3                | -48.2                      | 371.4                       |
| 1999 | 119.3             | 150.8              | -45.1                    | -138.6               | 15.9                       | -272.7                      |
| 2000 | 129.4             | 102.3              | 153.1                    | -369.4               | 48.7                       | -43.8                       |
| 2001 | 131.1             | 144.8              | 360.2                    | 147.5                | -26.2                      | -343.7                      |
| 2002 | 167.1             | 181.5              | 273.5                    | 38.6                 | -7.0                       | 74.3                        |
| 2003 | 103.0             | 128.5              | 149.0                    | 8.2                  | 111.3                      | -58.8                       |
| 2004 | 173.8             | 94.0               | 170.7                    | -56.2                | 92.5                       | -223.2                      |
| 2005 | 161.0             | 105.7              | 145.8                    | 77.7                 | -33.2                      | -65.2                       |
| 2006 | 174.0             | 109.6              | 130.8                    | 25                   | -4.1                       | -204.1                      |
| 2007 | 124.4             | 96.7               | 66.4                     | -43.3                | 192.5                      | -380                        |
| 2008 | 107.0             | 513.0              | 32.3                     | 77.3                 | -34.6                      | -50                         |
| 2009 | 139.5             | 48.7               | 139.4                    | -100                 | 14.3                       | -251.4                      |

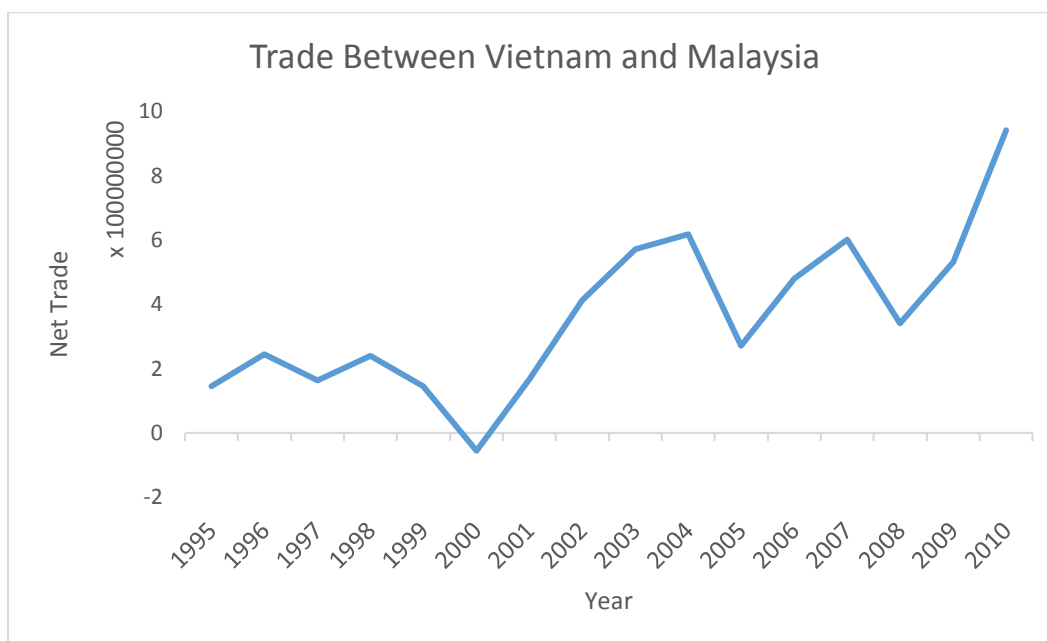
Source: World Trade Organization, 2015

**Figure 8: Trade Between Malaysia and the Philippines**



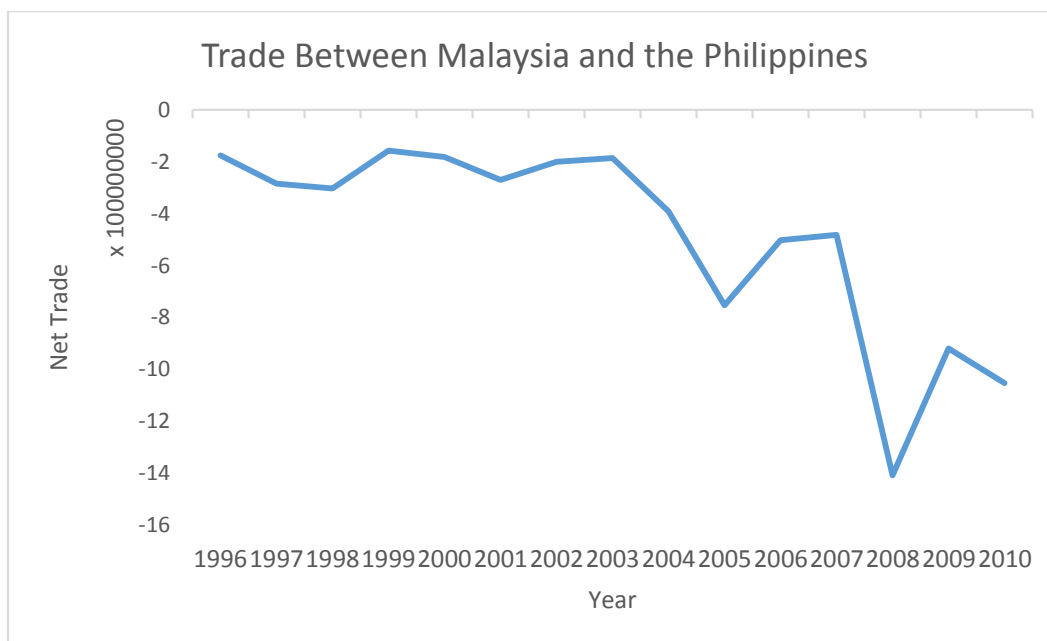
Source: Harvard University Economic Atlas, 2015

**Figure 9: Trade Between Vietnam and Malaysia**



Source: Harvard University Economic Atlas, 2015

**Figure 10: Trade Between Vietnam and the Philippines**



Source: Harvard University Economic Atlas

Figure 9: Trade Between Malaysia and the Philippines, Figure 10: Trade Between Vietnam and Malaysia, and Figure 11: Trade Between Vietnam and the Philippines show that there is greater fluctuation in trade between these littoral countries than between China and Japan and China and Vietnam. Trade between Malaysia and the Philippines spiked in 2003 when the countries joined the ASEAN Economic Community. ASEAN provided the countries with information on agriculture and forestry, finance, investment, minerals, science and technology, transportation, telecommunications and information technology, tourism, and a proves for economic integration. Trade between Vietnam and Malaysia took off in 2000 but reached tapered off in 2004. The addition of Vietnam to ASEAN in 2004 meant the possibility for greater economic integration between the two countries as Vietnam implements CEPT commitments. Trade between Malaysia and the Philippines has steadily decreased since 1996 experiencing severe drops in 2005 and 2008.

The data will be evaluated as follows: A conflict over a territorial dispute (Diaoyu/Senkaku, Parcel, or Spratly) will be identified. The bilateral/multilateral partners will be identified. Both the bilateral/multilateral trade data and the individual global trade data will be identified. First, the bilateral/multilateral trade data will be compared against the conflict to answer the question: Did bilateral/multilateral trade growth increase or decrease? Second, the data will be checked against the individual global trade data to answer the question: Does this follow the individual global trade data pattern? For example, China and Japan has two conflicts over the Diaoyu/Senkaku Island chain in 1997. However, their bilateral trade increased 52.2% that year. Likewise, China's global growth was 102.3% while Japan's global growth was 157%. Thus, the conflict over the disputed territory did not have an impact on China-Japan bilateral trade relations.

### **Dependent Variable**

There were sixteen major incidents instigated by the Chinese to assert territorial sovereignty over the Diaoyu/Senkaku Islands from 1996-2012. In 1996 over 40 vessels entered the waters near the Diaoyu/Senkaku Islands but voluntarily departed from the area after conducting their protest activities (Tatsumi 2013). In 1997 over 30 vessels entered the waters near the Diaoyu/Senkaku Islands and were forced from the area by the Japanese Coast Guard (Tatsumi 2013). In 1998 seven Chinese vessels entered the waters near the Diaoyu/Senkaku Islands, but departed following the Japanese Coast Guard's warning (Tatsumi 2013). Chinese vessels did not enter Japanese waters in 1999, 2000, 2001, or 2002. In 2003 two vessels with Chinese activists entered Japan's territorial waters but departed following the Japanese Coast Guard's warning (Tatsumi 2013). Three vessels entered Japan's territorial water in 2004 resulting in seven activists landing on the island. The activists were promptly arrested and

deported by the Japanese Coast Guard (Tatsumi 2013). Two vessels approached the islands in 2006 but departed after the Japanese Coast Guard issued a warning (Tatsumi 2013). The number of vessels entering Japanese waters decreased to only one per year in 2007, 2008, 2010, 2011, and 2012. In each incident the vessel departed after a warning was issued by the Japanese Coast Guard and in 2008, 2010, 2011, and 2012 the departing ship was accompanied by a Taiwanese Coast Guard Ship (Tatsumi 2013). These incidents, along with the percent change in bilateral trade, are outlined in in Table 2: Incidents and Bilateral Trade (China-Japan). This table shows that, with the exception of 1998, China-Japan bilateral increased each year, despite incidents related to the Diaoyu/Senkaku Island dispute.

**Table 2: Incidents and Bilateral Trade (China-Japan)**

| Year | # of Incidents | % Increase in Trade |
|------|----------------|---------------------|
| 1997 | 2              | 52.2                |
| 1998 | 1              | -91.1               |
| 2003 | 2              | 141.2               |
| 2004 | 2              | 78.8                |
| 2006 | 2              | 132.7               |
| 2007 | 1              | 107.9               |
| 2008 | 1              | 95.8                |

Source: CNA Maritime Asia Project, 2014

There were five major incidents instigated by the Chinese to assert territorial sovereignty over the Diaoyu/Senkaku Islands from 1996-2012. In 1998 a Chinese vessel entered Vietnamese waters in an attempt to land on the Parcel Islands but departed after encountering Vietnamese vessels. In 2002 the Vietnamese Coast Guard forced Chinese vessels out of Vietnamese territories after they attempted to drill for oil near the Parcel islands (Bower 2014). In 2007 China increased its assertiveness over the Parcel Island when it completed a strategic submarine



base on Hainan Island (Bower 2014). Direct contact between Chinese vessels and Vietnamese vessels occurred in 2008 when Chinese vessels bombarded Vietnamese ships causing the evacuation of the Vietnamese vessel (Bower 2014). In 2011 Chinese vessels entered the Paracel Island ring seizing the cables of Vietnamese vessels causing tension between the two countries (Bower 2014). These incidents, along with the percent change in bilateral trade, are outlined in in Table 3: Incidents and Bilateral Trade (China-Vietnam). This table shows that China-Vietnam bilateral increased each year, despite incidents related to the Paracel Island dispute.

**Table 3: Incidents and Bilateral Trade (China-Vietnam)**

| Year | # of Incidents | % Increase in Trade |
|------|----------------|---------------------|
| 1998 | 1              | 62.8                |
| 2002 | 1              | 167.1               |
| 2007 | 1              | 124.4               |
| 2008 | 1              | 107.0               |

Source: Paracel Sovereignty (Viet Nam), 2015

The CNAS Timeline indicates that in 1997 Chinese vessels entered Philippine waters on three separate occasions engaging in skirmishes over the Spratly Island chain. In 1998 the Philippine Navy arrested Chinese aboard a vessel while the Vietnamese fired shots at a Philippine vessel in Vietnamese waters. In 1999 a collision between Chinese and Philippine vessels caused the Chinese vessel to sink (the same scenario occurred for a second time only a few months later). Chinese vessels were accused of intimidating a Philippine vessel while Vietnamese troops fired on a Philippine vessel approaching the Spratly Island chain. In 2000 Philippine troops open fired on a Chinese vessel in addition to a Philippine vessel boarding a Chinese vessel and a Philippine vessel deployed to the Spratly Islands to deter Chinese vessels.

**Table 4: Incidents and Bilateral Trade (China-Vietnam-Malaysia-the Philippines)**

| Year | Country 1       | Country 2       | % Increase in Trade |
|------|-----------------|-----------------|---------------------|
| 1997 | China           | The Philippines | 97.6                |
| 1998 | The Philippines | China           | 47.6                |
|      | Vietnam         | The Philippines | -48.2               |
| 1999 | China           | The Philippines | -45.1               |
| 2002 | Vietnam         | The Philippines | -7.0                |
| 2006 | China           | Vietnam         | 174.0               |
| 2008 | China           | Vietnam         | 107.0               |

Source: CNAS Timeline, 2015

In 2002, Vietnamese vessels fired warning shots at Philippine military vessels entering Spratly Island territory. In 2006 Chinese vessels encountered Vietnamese vessels while attempting to conduct military exercises near the Spratly Island chain. In 2008 Chinese vessels fired warning shots at Vietnamese vessels. In 2011 a number of disputes regarding the Spratly Islands occurred, including: Chinese vessels firing warning shots at Philippine vessels, China cutting Vietnamese vessels cables, China ousting Vietnamese vessels from the areas, and Philippine vessels ramming Chinese vessels. With the exception of bilateral trade between Vietnam and the Philippines in 1998, bilateral trade between China and the Philippines in 1999, and bilateral trade between Vietnam and the Philippines in 2002, bilateral/multilateral trade relations are positive.

## Chapter V: Discussion

### Support for Neorealist Theory

The goal of the research performed for this thesis was to determine an initial response to the thesis question: Does economic interdependence between China, Japan, Vietnam, Malaysia, and the Philippines reduce conflicts over disputes territories? The data and analysis returned from that research answers: No, the level of economic interdependence does not impact conflicts over territorial disputes. In fact, it provides evidence that economic interdependence and conflicts over territorial disputes operate in two separate spheres. A variation in economic interdependence would not impact conflicts over territorial disputes and vice versa a change in the number of conflicts over territorial disputes would not impact economic interdependence.

This provides an initial response to the puzzle: Neoliberal theory suggests that as economic interdependence goes up the number of interstate conflicts should go down; Contrariwise, despite the increase in bilateral and multilateral economic interdependence in the Asia-Pacific, reports of conflicts over disputes territories have increase. The data does not support neoliberal theory, which suggests that there is a negative correlation between economic interdependence and conflicts over territorial disputes. In other words, neoliberal scholars argue that as economic interdependence increases the number of conflicts over territorial disputes should go down. Instead, the data and analysis returned from the research provides support for the neorealist approach which suggests that economic interdependence will not impact the number of conflicts over disputed territory.

Interestingly enough, the research and analysis supports Stromberg's (2007) argument that, "due to their geographical distance from one another, common colonial past, common language, bilateral trade flows, and similar voting patterns in the United Nations," China, Japan,

Vietnam, Malaysia, and the Philippines would react similarly to conflicts over territorial disputes. However, Stromberg (2007) framed his study in a neoliberal approach, concluding that because of these commonalities countries in the Asia Pacific would be more likely to settle disputes peacefully due to concern for bilateral and multilateral relations. Sumner (2004) points out that instead of using these commonalities to settle disputes peacefully, these countries used them, in the form of “treaty law, effective control and history, the right to title, geography, and cultural homogeneity” to strengthen their claims to their territorial disputes with little to no concern on how these continued disputes would impact bilateral/multilateral economic interdependence.

Likewise, Joseph Nye (2011) outlines neoliberal theory as powered by agenda framing, persuasion, and positive attraction in allowing one country to influence or control another country’s actions. His argument that a country’s institutions, ideas, values, culture, and perceived legitimacy of politics directly impacts the country’s ability to deal with its domestic, regional, and national security implies that economic interdependence would be tied to territorial conquests and legitimate territorial claims. The data shows that it is unlikely that this is the case, as all countries involved seem to have a common understanding that economic interdependence and conflicts over territorial disputes operate in different spheres.

Conversely, the data does support Kenneth Waltz’s (2012) argument that domestic and international politics can be separate into two separate levels of phenomena. Domestic and international forces can only interact to produce certain outcomes but they remain analytically distinct: A change in the level of economic interdependence does not necessarily mean a change in the number of conflicts over territorial disputes. Thus, the data supports the neorealist

hypothesis is a country's territorial actions/claims are independent of their economic relations. There is no correlation between territorial disputes and trade.

In examining territorial ownership, competing energy claims, and fishing rights in the Asia Pacific specialists seek to determine how territorial conflicts impact bilateral and multilateral relationships at a regional level. East Asian specialists often focus on China's nine-dash-line and its impact on Chinese bilateral relationships with other countries in the Asia Pacific. Often, they ask what the nine-dash-line means: Ownership, a sphere of influence, a claim to maritime resources, or something else (Gao 2013). Consequently, the research done by these specialists focuses too closely on bilateral relationships from China's perspective. Additionally, the focus on the nine-dash-line as a core focus negates from territorial boundaries assigned and accepted by the international community. This research closes the aforementioned gap by reviewing the Diaoyu/Senkaku Island dispute, Paracel Island dispute, and Spratly Island dispute from all bilateral and multilateral venues.

There is a variation in the type and severity of the incidents examined. A dispute between China and the Philippines in 1997 arose when Chinese warships surveyed the Philippine-claimed Panata and Kota Islands. In 2000 Vietnamese soldiers engaged a Philippine reconnaissance aircraft near the Spratly Islands, firing on the plane. In 2008 a Chinese vessel entered Japanese waters and was warned away by the Japanese Coast Guard. The vessel left Japanese waters peacefully. Thus, the type or severity of the incidents examined, does not seem to have any impact on bilateral or multilateral trade relations.

As with all forms of research and analysis, there is room for both improvement and extension. Due to data restrictions, some countries in the Asia Pacific were excluded from this analysis. An extended version of the analysis may include other countries such as Brunei.

Additionally, there are other ways that a country can be economically dependent. Reviewing data sources such as foreign direct investment could offer more support for neorealist theory. These are just two ways that this research could be improved on or expanded.

**Figure 8: Territorial Disputes: Bilateral and Regional Trade Figures**

| Incident Number | Year | Countries               | Region | # of Disputes | % Increase in Bilateral Trade | % Increase in Global Trade Country 1 | % Increase in Global Trade Country 2 |
|-----------------|------|-------------------------|--------|---------------|-------------------------------|--------------------------------------|--------------------------------------|
| 1               | 1997 | China-Japan             | D      | 2             | 52.2                          | 102.3                                | 157.0                                |
| 2               | 1997 | China-<br>Philippines   | S      | 1             | 97.6                          | 102.3                                | 77.4                                 |
| 3               | 1998 | China-Japan             | D      | 1             | -91.1                         | 69.8                                 | 96.5                                 |
| 4               | 1998 | China-<br>Philippines   | S      | 1             | 47.6                          | 69.8                                 | 49.4                                 |
| 5               | 1998 | China-Vietnam           | P      | 1             | 62.8                          | 69.8                                 | 41.2                                 |
| 6               | 1999 | China-<br>Philippines   | S      | 1             | -45.1                         | 94.2                                 | 49.4                                 |
| 7               | 2002 | China-Vietnam           | P      | 1             | 167.1                         | 95.8                                 | 171.6                                |
| 8               | 2002 | Vietnam-<br>Philippines | S      | 1             | -7.0                          | 171.6                                | 86.9                                 |
| 9               | 2003 | China-Japan             | D      | 2             | 141.2                         | 95.8                                 | 127.9                                |
| 10              | 2004 | China-Japan             | D      | 2             | 78.8                          | 243.5                                | 70.6                                 |
| 11              | 2006 | China-Japan             | D      | 2             | 132.7                         | 147.4                                | 134.5                                |
| 12              | 2006 | China-Vietnam           | P      | 1             | 174.0                         | 147.4                                | 549.5                                |
| 13              | 2007 | China-Japan             | D      | 1             | 107.9                         | 113.2                                | 12.7                                 |
| 14              | 2007 | China-Vietnam           | P      | 1             | 124.4                         | 113.2                                | 128.7                                |
| 15              | 2008 | China-Vietnam           | P      | 1             | 107.0                         | 63.0                                 | 81.2                                 |
| 16              | 2008 | China-Vietnam           | S      | 1             | 107.0                         | 63.0                                 | 81.2                                 |
| 17              | 2008 | China-Japan             | D      | 1             | 95.8                          | 63.7                                 | 196.1                                |

Source Abstract, 2015

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